

VZCZCXYZ2017  
PP RUEHWEB

DE RUEHKV #0471 0640804  
ZNR UUUUU ZZH  
P 040804Z MAR 08  
FM AMEMBASSY KYIV  
TO RUEHC/SECSTATE WASHDC PRIORITY 5115  
INFO RUCNCIS/CIS COLLECTIVE PRIORITY  
RUEHZG/NATO EU COLLECTIVE PRIORITY  
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY  
RHEBAAA/DEPT OF ENERGY WASHINGTON DC PRIORITY

UNCLAS KYIV 000471

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DEPT FOR EUR/UMB, EB/ESC/IEC - GALLOGLY/WRIGHT  
DOE PLEASE PASS TO LEKIMOFF, CCALIENDO  
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E.O. 12958: N/A  
TAGS: [EPET](#) [ECON](#) [ENRG](#) [PREL](#) [UP](#)  
SUBJECT: UKRAINE: GAZPROM REDUCES GAS TO UKRAINE BY ANOTHER  
10%

REF: A. KYIV 469  
[1](#)B. MOSCOW 605

Sensitive but Unclassified. Not for Internet.

[1](#)1. (SBU) On March 3, hours after informing NaftoHaz by telegram that gas supplies had been reduced by 25%, Gazprom sent a second telegram announcing an additional 10% reduction in gas supplies, which Gazprom said brought the total reduction to 40 million cubic meters (mcm) of gas per day. NaftoHaz, for its part, calculates that Ukraine's supply has been reduced by 46 mcm per day. Ukraine's overall household gas consumption has declined due to warm weather and presently stands at 150 mcm of gas per day. According to NaftoHaz chief spokesman Valentyn Zemlyanskiy, NaftoHaz will use gas reserves from underground storage facilities, allowing sufficient supplies for Ukrainian consumers for a month. NaftoHaz assured its European customers that transit has not been reduced and supplies to Europe remain unaffected. Meanwhile, NaftoHaz officials are reviewing Gazprom's latest proposal of a draft agreement in preparation for continued talks later this week in Moscow.

[1](#)2. (SBU) Ukraine's First Deputy Prime Minister Oleksandr Turchynov, characterized the current reductions as Russian political blackmail. Turchynov noted that Ukraine has not reciprocated with blackmail of their own, despite the fact that Gazprom is delinquent on transit fees from December 2007, but did not disclose the amount owed. Gazprom responded that it would gladly pay the transit fees in question once NaftoHaz provides an official invoice.

[1](#)3. (SBU) Although President Yushchenko has also refrained from making comments on the recent reduction, he admonished PM Tymoshenko to avoid escalating current gas disagreements into a gas war. Yushchenko also telephoned Putin after the Russian presidential election to congratulate Putin's successor. Russian press reports indicated that the two presidents discussed the gas situation, although details of the conversation were not revealed.

[1](#)4. (SBU) In Kyiv, NaftoHaz has turned to the Kyiv Commercial Court for concurrence on a February 6 Cabinet of Minister's cancellation of UkrHazEnerho's (UHE) operating license. Despite the recent gas reduction, NaftoHaz has not backed off on its demand that the gas intermediary UHE must be finally eliminated from the gas arrangement, so that NaftoHaz can regain control of the industrial gas distribution sector and profits lost to UHE. In an event apparently not directly

related to the current gas disagreement with Russia, UkrNafta, Ukraine's largest oil company (51% state-owned), decided to mothball 140 natural gas wells (total extraction volume of 950 mcm per year) throughout Ukraine. UkrNafta based its decision on a recent decision by regulators to reduce their selling price for gas by almost 27%. (Comment: Although the amount of gas involved is not decisive (about 3 mcm/day), if UkrNafta follows through on its threat, this will somewhat worsen Ukraine's gas supply situation.)  
Taylor